

the customer becomes the boss

All of this, Miller sums up, “Leads to a more diversified, consistent earnings stream. The result is the kind of stability that shareholders value and that clients like in a provider they plan to have a long-standing relationship with.”

Nothing Beats Experience

Neither firm is a novice to big mergers (most recently, JPMorgan and Chase merged in 2001, and Bank One and First Chicago merged in 1998). So Miller feels that both companies understand what it takes to execute transactions of this magnitude.

Former Bank One CFO **Heidi Miller** takes the helm of TSS



Heidi Miller, who has been called one of the most powerful women in American business, has enjoyed a dynamic and successful career with some of the financial industry's most well known names — holding leadership positions as CFO for Citigroup and as Vice Chairman of Marsh, Inc. In the days just following the official merger of the two industry giants, JPMorgan Chase and Bank One, Miller spoke with *Thought* magazine about the strategic, financial and cultural aspects of the merger and the strengths of TSS.

“I’ve been through many mergers,” she says, “but since the announcement of this deal, we have accomplished more to date than in any other merger I’ve been involved with. We’ve done a huge amount in a relatively short period of time in terms of planning, nominating the appropriate people to manage the businesses, calling on customers, deciding which systems to retain, establishing risk policies, and so on. That gives me great confidence that we’ll be able to fast-forward the execution of our plans.”

Miller states that the number one priority during the merger process is, of course, to impact the customer as little as possible. “We want to execute this merger in a manner that is seamless to our clients.”

Mixing It Up

It is no secret that change can cause concern for some clients. They worry that a firm may become too big, cultures won’t mix, and as a result service quality will suffer.

Miller notes that any differences in the cultures of the heritage institutions are a natural extension of two different business focuses: JPMorgan Chase, which is global and predominantly wholesale, and Bank One, largely retail and U.S.-centric. However, she believes that there are more similarities than differences.

“Bill Harrison (CEO of JPMorgan Chase) and Jamie Dimon (President and COO) bring to the business shared values in terms of what makes a firm a leader in the industry... being responsive to clients and improving productivity and efficiency. They demand the same level of integrity, as well as a commitment to developing governance standards that are clear, and reporting that is transparent.”

In addition, she says, “My observation is that Bill and Jamie are setting a high standard of partnership at the top of the house.” Miller and other senior business leaders have been meeting with them a few times a month.

In one of the largest and most compelling mergers in the history of the financial services industry, JPMorgan Chase and Bank One became one under the JPMorgan Chase name on July 1st. At this significant point in the new firm’s history, Heidi Miller, former Bank One CFO, took the helm of JPMorgan’s Treasury & Securities Services (TSS), its Custody, Cash Management, and Trust businesses.

“You don’t do trillion-dollar mergers like the one between JPMorgan Chase and Bank One if the only benefit you can identify is cost savings,” says Miller. “Sure, the savings provide a cushion to put drivers of the business in place that can give you better value for the client and the shareholder. But the value of cost savings is temporary and static.

“You need to identify longer-term benefits if you want to create a well-capitalized, healthy company in a stronger position for growth,” Miller adds. In the case of JPMorgan Chase and Bank One, she cites among the merger’s benefits: a more balanced business mix between wholesale and retail activities; leading market positions across products, client segments and geographies; scale; and financial strength.

“We have had a lot of consensus about the direction we want to take. Considering that not all merged management teams operate in such a collaborative way, we have had very few disagreements about issues ranging from how we want to organize financially, to what systems we want to use.”

TSS at the Core

As a former CFO of Citigroup, Priceline.com and Bank One, Miller brings a unique perspective to her new role as head of TSS, which counts among its clients CFOs, corporate treasurers and fund managers. “I do still think like a CFO,” she admits. “My first hand experience in that role gives me a distinct view of what these businesses can do. I’ve already started calling on clients with our sales and relationship teams, and I plan to do more of that.”

Citing Investor Services as an example, Miller says, “Our custodial relationships are historically long-term, which is good for us and for our customers. Not only do we generate repeatable earnings; we also cement relationships with customers who are doing or will do business with other areas.”

Heading to Best in Class

Miller’s strategy for the three businesses of TSS is succinct: to be best-in-class. All the TSS businesses benefit from scale in the larger merged company. Scale means greater processing efficiency and provides opportunities to create value for customers — whether by pricing specific products more competitively or reinvesting in product development and leading-edge technologies, “in a way that smaller, less-capitalized providers cannot,” says

As for Investor Services’ existing clients, Miller says, “We know that our competitors keep a close watch on our clients, because we have the best clients in the business. We plan to extend our product offering in areas such as insurance accounting, enabling insurance and mutual fund companies to take advantage of the ongoing trend to outsource selected accounting functions. And we need to invest sufficiently to maintain our position in corporate actions as the most cost-effective processor, with the least amount of risk involved.”

Commitment to the Business

Finally, Miller believes the merger solidifies JPMorgan Chase’s long-standing commitment to serving the needs of the investor community and should dispel

“We want to execute this merger in a manner that is **seamless** to our clients.”

Miller likes the three businesses of TSS — Investor Services, Treasury Services, and Institutional Trust Services — because, “They are core to the JPMorgan Chase franchise and leaders in their respective markets,” she says.

“Investor Services was recently ranked the number-one global custodian — with nearly \$8 trillion in assets under custody — and has a leadership position in securities lending,” explains Miller. “Treasury Services is the leading cash management provider in the world, as well as the leader in U.S. dollar clearing (handling as much as \$2.5 trillion a day), Automated Clearing House, standby letters of credit and controlled disbursement. Institutional Trust Services is among the top businesses in issuer services; the number-one trustee for U.S. corporate debt; the number-one global trustee for U.S. collateralized debt obligations; and number one in American Depositary Receipts (ADRs).”

What’s more, she says, “The great thing about these three businesses is that their transactions are not one-off — they’re multi-year dealings with consistent revenue streams. That’s an important contribution to JPMorgan Chase’s stability.”

Miller. “Technology is at the heart of our businesses, and the new JPMorgan Chase will invest capital in the product, service and technological innovations that are priorities for our clients.”

An important element of the TSS strategy goes beyond processing transactions. In Treasury Services, for instance, “We not only provide clients with the ability to make timely and accurate payments, we give them the tools to make informed decisions about their cash flows, and optimize their working capital and liquidity,” she says. Another key path to best-in-class stature is client care. All three TSS businesses are focusing on strengthening customer service as another way to distinguish them from the competition. “Client satisfaction drives revenue. Accuracy, reliability, timeliness, and follow-through are hallmarks of quality that clients have every right to expect from us.”

The merger also gives TSS businesses such as Investor Services the opportunity to increase market share by offering its products to Bank One’s 20,000 middle-market and 11,000 large corporate customers, most of which do not overlap with JPMorgan Chase’s customer base.

any rumors regarding ongoing support of the Investor Services business. “It would be hard to look at us now and not feel confident that this business is vitally important to our organization,” she says.

“Since the very beginning of the merger both Jamie and Bill have emphasized, and I agree, that the TSS businesses are central to what we are as a firm. If you’re lucky enough to have a number one, two or three position in businesses like these,” Miller explains, “then you want to guard them with your life and nurture their growth.”

Miller echoes Harrison’s and Dimon’s sentiments about TSS when she says that “these businesses represent consistent, annuity-like earnings streams; client relationships that are long-standing and that can be leveraged; and channels of distribution ranging from small businesses and middle market companies to municipalities and governments.”

In other words, “TSS is key to the new JPMorgan Chase’s future. We’re going to be in the game for the long haul, and we’re going to continue to work to keep getting it right.” ○○○